

**Accounts Payable Outsourcing Follow-Up Audit
February 2015**

Lori Brooks, City Auditor
Susan Edwards, Assistant City Auditor
Abraham Gandarilla, Staff Auditor



February 11, 2015

Honorable Mayor and Members of the City Council:

I am pleased to present the Accounts Payable Follow-Up Audit. The audit objective was to determine the implementation status of prior audit recommendations.

Audit follow-up results indicate that management fully implemented four of the six prior audit recommendations. Two recommendations related to reinstating locked-out users in Catalyst and purging the vendor master file were partially implemented.

We would like to thank the Finance Department personnel for their cooperation during the audit and their implementation of our prior audit recommendations.

Lori Brooks

Lori Brooks, CPA, CIA, CGAP, CRMA
City Auditor

c: Trey Yelverton, City Manager
Theron Bowman, Deputy City Manager
Jim Parajon, Deputy City Manager
Gilbert Perales, Deputy City Manager
Mike Finley, Director of Finance

Accounts Payable Outsourcing Follow-Up Audit Table of Contents

	<u>Page</u>
Executive Summary	1
Audit Scope and Methodology	3
Status of Prior Audit Recommendations Matrix.....	4

Accounts Payable Outsourcing Follow-Up Audit

Office of the City Auditor
Lori Brooks, CPA
City Auditor

Project #15-03

February 2015

Executive Summary

*Four of six prior audit
recommendations were
fully implemented.*

Fully Implemented

*Discussed Customer
Service Center Procedures
with Cognizant to assure
all calls for service are
answered*

*Requested Cognizant
include the call
abandonment rate on the
SLA Report*

*Provided additional
training for users of
Catalyst*

*Working with Cognizant to
seek ways to further
automate the accounts
payable process*

Partially Implemented

*Process for reinstating
users that are locked-out*

*Review and purge of
vendor master file*

As part of the Fiscal Year 2015 Annual Audit Plan, the City Auditor's Office has completed a follow-up audit of the Accounts Payable Outsourcing Audit released in April 2014. The audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The audit objective was to determine the implementation status of prior audit recommendations.

Management concurred with all six recommendations in the initial audit report. Audit follow-up indicates that the Finance Department has fully implemented four recommendations and partially implemented two recommendations.

The Finance Department has fully implemented the following:

- Discussed the Customer Service Center procedures with Cognizant (formerly SourceNet) to ensure that all calls for service are answered.
- Requested that Cognizant include the call abandonment rate on the Service Level Agreement Report.
- Catalyst training was added to each quarterly purchasing training session.
- Cognizant and Finance are continuing to look for vendors who may be open to electronic invoicing.

Two recommendations related to reinstating locked-out users in the Catalyst system and purging the vendor master file have been partially implemented. The process that Cognizant uses to reinstate active users appears to assure timely reinstatement. However, the current user set-up requires that an employee's supervisor be recorded in the system. When the supervisor leaves the City, the employee's access is locked. A manual process to update the supervisor field in the system must be initiated when an employee informs the Payroll supervisor that they have been locked-out of the system. A process should be developed to assure that the Payroll Supervisor is notified prior to an employee leaving the City. This

would allow changes to be made in the system to assure that no employees are locked-out due to their supervisor leaving.

The recommendation to archive or purge duplicate and inactive accounts in the vendor master file has been partially implemented. A number of one time and inactive vendors were purged. However, it appears that duplicate vendors were not purged from the system. Additionally, documentation for the approval of the purge and specifics related to which vendors were purged was not retained. Good internal control concepts dictate that documentation of approvals and items purged be retained.

Audit Scope and Methodology

The following methodology was used in completing the audit.

- Discussed the current implementation status of the recommendations with the Chief Financial Officer, Assistant Director of Financial Operations, and the Payroll Supervisor.
- Reviewed correspondence between the Assistant Director of Financial Operations and Cognizant related to Customer Service Center operations and call abandonment.
- Reviewed the October 2014 Service Level Agreement Report from Cognizant.
- Reviewed Cognizant's Weekly Performance Indicators Report for the week ended 12/05/2014.
- Reviewed documentation of Catalyst training.
- Reviewed correspondence with Cognizant related to working with vendors on electronic invoicing.
- Reviewed correspondence with Cognizant regarding the process to reinstate locked-out users.
- Reviewed policy and procedures for a vendor purge.
- Reviewed documentation related to the vendor purge conducted in June 2014.

Status of Prior Audit Recommendations

AUDIT RECOMMENDATION	CONCUR /DO NOT CONCUR	MANAGEMENT'S RESPONSE	RESPONSIBLE PARTY	DUE DATE	IMPLEMENTATION STATUS
1. The Chief Financial Officer should discuss the Customer Service Center procedures with SourceNet to ensure that all calls for service are answered.	Partially concur	Finance will engage in discussions with SourceNet regarding ensuring all calls for service are answered and that the Service Level Agreement report is based on all calls for service whether answered or not. However, Finance cannot ensure that SourceNet can change the method they use for measurement of Customer Service Center for the Service Level Agreement report.	Assistant Director of Financial Operations	August 31, 2014	<p>Implemented.</p> <p>Finance corresponded with Cognizant (formerly SourceNet) regarding steps to take to ensure all calls for service are answered. Their response was as follows: <i>“Cognizant is taking steps to add at least one additional call center agent beginning in May 2014. With the addition of this agent to [the] call center, Cognizant should be able to support answering an additional 15 calls per day. This should also assist in reducing the call abandoned rate.”</i></p> <p>Looking at actual abandonment rates per the KPI reports, prior to May the abandonment rate ran between 20% and 30% on a monthly basis. In May 2014, the abandonment rate dropped to 6.38%. Finance will continue to monitor the KPI to ensure lasting positive results.</p>
2. The Chief Financial Officer should ensure that the measurement of the Customer Service Center for the Service Level Agreement report is based on all calls for service, not only those that are answered.	Partially concur	Finance will engage in discussions with SourceNet regarding ensuring all calls for service are answered and that the Service Level Agreement report is based on all calls for service whether answered or not. However, Finance cannot ensure that SourceNet can change the method they use for measurement of Customer Service Center for the Service Level Agreement report.	Assistant Director of Financial Operations	August 31, 2014	<p>Implemented.</p> <p>On June 24th Finance emailed Cognizant requesting that an SLA for abandonment rate be added to our report set at a level not to exceed 10% measured monthly. This will be added to the SLA at renewal (December 2014), but in the meantime Cognizant will be tracking it and the impact of the additional agent.</p>
3. The Chief Financial Officer should ensure that staff	Concur	Finance staff will increase the number of training sessions being offered to end	Payroll Supervisor	August 31, 2014	Implemented.

AUDIT RECOMMENDATION	CONCUR /DO NOT CONCUR	MANAGEMENT'S RESPONSE	RESPONSIBLE PARTY	DUE DATE	IMPLEMENTATION STATUS
provides additional training to users and/or vendors outlining the information required on uploaded invoices.		users each year and will provide training to vendors at every opportunity.			Catalyst training is now added to each quarterly purchasing training session. The training focuses on common errors being made and how to properly upload invoices to minimize these errors. The first quarterly training was offered on June 17, 2014. Vendors are being coached as opportunities present themselves.
4. The Chief Financial Officer should coordinate with SourceNet to seek ways in which to further automate the accounts payable process, decrease errors and increase efficiency.	Concur	Finance will coordinate with SourceNet to seek ways in which to further automate the accounts payable process, decrease errors and increase efficiency.	Assistant Director of Financial Operations	August 31, 2014	Implemented. In April 3, 2014 correspondence with Cognizant, it was noted that the controllable error rate (mistakes made by Cognizant staff) averaged 0.90% for the April 2013 – March 2014 time frame. As stated above, Finance is engaging City staff in error abatement training. Cognizant and Finance will continue to look for vendors who may be open to electronic invoicing which could help with efficiencies and further automate the accounts payable process.
5. The Chief Financial Officer should review SourceNet's process by which end-users are reinstated when they are locked-out of the system and request that SourceNet develop a process to ensure end-users are reinstated in a timely manner.	Concur	Finance will review SourceNet's processes to ensure locked-out end-users are reinstated in a timely manner.	Assistant Director of Financial Operations	August 31, 2014	Partially Implemented. In April 3, 2014 correspondence with Cognizant, it was noted that the processes to reinstate locked-out end-users are as follows: <i>"Active users with a locked account have several options currently available to assist in unlocking their account. Users can contact the AP Support Center by phone to have their account immediately unlocked. Users can contact the AP Support Center by email to have their account unlocked within 1 business day. Additionally all locked</i>

AUDIT RECOMMENDATION	CONCUR /DO NOT CONCUR	MANAGEMENT'S RESPONSE	RESPONSIBLE PARTY	DUE DATE	IMPLEMENTATION STATUS
					<p><i>user accounts are automatically unlocked overnight, or within 24 hours of being locked."</i></p> <p>This process ensures timely reinstatement of locked users. However, this process only applies to active users. Any user who does not access Catalyst within a 90 day window is classified as inactive. An inactive user account does not automatically unlock and does require Cognizant's intervention. An email or phone call to Cognizant should accomplish reinstatement in a timely manner. If it does not, end-users are being instructed to contact the Payroll Supervisor so she can facilitate unlocking their account.</p> <p>Auditor Comment: One issue remains to be addressed regarding locked-out users. When a supervisor leaves the City, their employees are locked-out of Catalyst. The accounts are not unlocked until the Payroll Supervisor is notified that the employees are locked out. At that time the Payroll Supervisor must enter a "temporary" supervisor in the system until a new supervisor is appointed/hired. A process should be developed to assure that the Payroll Supervisor is notified prior to an employee leaving the City. This would allow changes to be made in the system to assure that no employees are locked-out due to their supervisor leaving.</p>

AUDIT RECOMMENDATION	CONCUR /DO NOT CONCUR	MANAGEMENT'S RESPONSE	RESPONSIBLE PARTY	DUE DATE	IMPLEMENTATION STATUS
<p>6. The Chief Financial Officer should ensure that staff reviews the vendor master file and archives or purges duplicate and inactive accounts in accordance with established policies and procedures.</p>	<p>Concur</p>	<p>Finance will ensure the vendor master file is reviewed and that duplicate and inactive accounts are archived or purged.</p>	<p>Systems Administrator</p>	<p>August 31, 2014</p>	<p>Partially Implemented.</p> <p>The Financial System Administrator developed a policy and procedure to purge vendor records along with other old financial data from Lawson. He first tested the procedures to make certain they were effective. Then, on June 7, 2014, he purged the old data. During this process, 7,597 one time vendors and 3,551 inactive vendors were purged for a total of 11,148 unneeded vendors being removed from Lawson's vendor data base.</p> <p>Auditor Comment: While inactive vendors and one time vendors were purged, the purge did not address duplicate vendors. Additionally, documentation of management approval for the purge and specifics of the items purged was not retained. Good internal control concepts dictate that documentation of approvals and items purged be retained.</p>